



SENATE TAXATION

EXHIBIT NO. 2

DATE 2-7-07

BILL NO. SB-378

February 7, 2007

Senator Jim Elliott
Chair Senate Taxation Committee
Montana Capitol
Helena, MT

Dear Senator Elliott,

I write in support of Senate Bill 378 for the following reasons:

- I serve as Chair of the Montana Society of CPAs' State Taxation Committee and I have worked as a CPA in Montana for more than 30 years. Accounting professionals have long been told by the Department of Revenue that State law follows Federal unless there is a specific provision in Montana law. Senate Bill 378 would make this verbal interpretation law.
- Adoption of this bill will increase consistency of taxation between taxpayers, increase predictability of results and simplify administration. These results will occur because the amount of unknowns will be reduced. The unknowns are how Montana tax law treats something new.

We recently witnessed a new issue resulting from Federal refunds received by Montana taxpayers. Federal law has a specific system on the treatment of Montana refunds on a taxpayer's Federal tax return. These differences in interpretation between the Montana Department of Revenue and accounting professionals can be avoided if Senate Bill 378 is passed.

- The "follow the Federal" concept will simplify filing in Montana not just for professional tax preparers, but also for taxpayers who prepare their own returns. The more Montana follows Federal, then the fewer the differences and the higher the degree of compliance.

MSCPA legislative goals are non-partisan and aimed at simplifying tax reporting and compliance and encouraging economic development.

Please contact us if you have any questions or need interpretive assistance on the effects of this legislation or other tax matters.

Thank you for allowing this to be introduced as testimony in support for SB 378 and our sincere thanks also to Senator Kim Gillan for introducing the legislation.

Sincerely,

Walter J. Kero, CPA
Chair MSCPA State Taxation Committee